

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 29, 2001

Commission File No. 0-12781

CULP, INC.

(Exact name of registrant as specified in its charter)

NORTH CAROLINA

(State or other jurisdiction of
incorporation or other organization)

56-1001967

(I.R.S. Employer Identification No.)

101 S. Main St., High Point, North Carolina
(Address of principal executive offices)

27261-2686
(zip code)

(336) 889-5161

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 of the Securities Exchange Act of 1934
during the preceding 12 months and (2) has been subject to the filing
requirements for at least the past 90 days.

YES X NO

Common shares outstanding at July 29, 2001: 11,221,158
Par Value: \$.05

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For the period ended July 29, 2001

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Item 1: Financial Statements

CULP, INC.
CONSOLIDATED STATEMENTS OF LOSS
FOR THE THREE MONTHS ENDED JULY 29, 2001 AND JULY 30, 2000

(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Sales	
	July 29, 2001	July 30, 2000	% Over (Under)	2002	2001
Net sales	\$ 86,463	101,878	(15.1)%	100.0 %	100.0 %
Cost of sales	75,674	87,704	(13.7)%	87.5 %	86.1 %
Gross profit	10,789	14,174	(23.9)%	12.5 %	13.9 %
Selling, general and administrative expenses	11,235	13,778	(18.5)%	13.0 %	13.5 %
Restructuring expense	1,303	0	100.0 %	1.5 %	0.0 %
Income (loss) from operations	(1,749)	396	(541.7)%	(2.0)%	0.4 %
Interest expense	2,068	2,323	(11.0)%	2.4 %	2.3 %
Interest income	(23)	(7)	228.6 %	(0.0)%	(0.0)%
Other expense (income), net	572	741	(22.8)%	0.7 %	0.7 %
Loss before income taxes	(4,366)	(2,661)	(64.1)%	(5.0)%	(2.6)%
Income taxes *	(1,484)	(905)	(64.0)%	34.0 %	34.0 %
Net loss	\$ (2,882)	(1,756)	(64.1)%	(3.3)%	(1.7)%
Net loss per share	(\$0.26)	(\$0.16)	(62.5)%		
Net loss per share, assuming dilution	(\$0.26)	(\$0.16)	(62.5)%		
Dividends per share	\$0.00	\$0.035	(100.0)%		
Average shares outstanding	11,221	11,209	0.1 %		
Average shares outstanding, assuming dilution	11,221	11,209	0.1 %		

* Percent of sales column is calculated as a % of loss before income taxes.

CULP, INC.
CONSOLIDATED BALANCE SHEETS
JULY 29, 2001, JULY 30, 2000, AND APRIL 29, 2001
Unaudited
(Amounts in Thousands)

	Amounts		Increase (Decrease)		(1) April 29, 2001
	July 29, 2001	July 30, 2000	Dollars	Percent	
Current assets					
Cash and cash investments	\$ 549	1,654	(1,105)	(66.8) %	1,207
Accounts receivable	52,353	58,851	(6,498)	(11.0) %	57,849
Inventories	59,006	74,600	(15,594)	(20.9) %	59,997
Other current assets	9,893	11,565	(1,672)	(14.5) %	7,856
Total current assets	121,801	146,670	(24,869)	(17.0) %	126,909
Property, plant & equipment, net	109,417	123,636	(14,219)	(11.5) %	112,322
Goodwill	48,129	49,525	(1,396)	(2.8) %	48,478
Other assets	1,711	6,652	(4,941)	(74.3) %	1,871
Total assets	\$ 281,058	326,483	(45,425)	(13.9) %	289,580
Current liabilities					
Current maturities of long-term debt	\$ 2,130	1,678	452	26.9 %	2,488
Accounts payable	24,773	24,942	(169)	(0.7) %	27,371
Accrued expenses	16,494	19,762	(3,268)	(16.5) %	17,153
Income taxes payable	0	0	0	0.0 %	1,268
Total current liabilities	43,397	46,382	(2,985)	(6.4) %	48,280
Long-term debt	108,522	135,150	(26,628)	(19.7) %	109,168
Deferred income taxes	10,330	17,459	(7,129)	(40.8) %	10,330
Total liabilities	162,249	198,991	(36,742)	(18.5) %	167,778
Shareholders' equity	118,809	127,492	(8,683)	(6.8) %	121,802
Total liabilities and shareholders' equity	\$ 281,058	326,483	(45,425)	(13.9) %	289,580
Shares outstanding	11,221	11,209	12	0.1 %	11,221

(1) Derived from audited financial statements.

CULP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JULY 29, 2001 AND JULY 30, 2000
Unaudited

(Amounts in Thousands)

	THREE MONTHS ENDED	
	----- Amounts -----	
	July 29, 2001	July 30, 2000

Cash flows from operating activities:		
Net loss	\$ (2,882)	(1,756)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	4,473	5,060
Amortization of intangible assets	393	399
Amortization of deferred compensation	(13)	63
Restructuring expense	1,303	0
Changes in assets and liabilities:		
Accounts receivable	5,496	16,372
Inventories	991	(129)
Other current assets	(1,987)	(1,216)
Other assets	(3)	147
Accounts payable	(123)	(6,886)
Accrued expenses	(1,957)	(2,409)
Income taxes payable	(1,268)	0
	-----	-----
Net cash provided by operating activities	4,423	9,645
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(1,602)	(2,289)
Purchase of investments to fund deferred compensation liability	0	(200)
	-----	-----
Net cash used in investing activities	(1,602)	(2,489)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	16	0
Principal payments on long-term debt	(1,020)	(658)
Change in accounts payable-capital expenditures	(2,475)	(5,459)
Dividends paid	0	(392)
	-----	-----
Net cash used in financing activities	(3,479)	(6,509)
	-----	-----
Increase (decrease) in cash and cash investments	(658)	647
Cash and cash investments at beginning of period	1,207	1,007
	-----	-----
Cash and cash investments at end of period	\$ 549	1,654
	=====	=====

CULP, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

(Dollars in thousands, except share and per share data)

	Common Stock		Capital Contributed in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount				
Balance, April 30, 2000	11,208,720	\$ 560	\$ 35,266	\$ 93,814	\$	\$ 129,640
Cash dividends (\$0.105 per share)				(1,177)		(1,177)
Net loss				(8,311)		(8,311)
Common stock issued in connection with stock option plans	12,438	1	1,649			1,650
Balance, April 29, 2001	11,221,158	561	36,915	84,326		121,802
Net loss				(2,882)		(2,882)
Other comprehensive loss:						
Loss on cash flow hedges, net of taxes					(98)	(98)
Common stock issued (forfeited) in connection with stock option plans			(13)			(13)
Balance, July 29, 2001	11,221,158	\$ 561	\$ 36,902	\$ 81,444	\$ (98)	\$ 118,809

Culp, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Culp, Inc. and subsidiary include all adjustments, which are, in the opinion of management, necessary for fair presentation of the results of operations and financial position. All of these adjustments are of a normal recurring nature except as disclosed in note 8 to the consolidated financial statements. Results of operations for interim periods may not be indicative of future results. The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements, which are included in the company's annual report on Form 10-K filed with the Securities and Exchange Commission on July 27, 2001 for the fiscal year ended April 29, 2001.

2. Accounts Receivable

A summary of accounts receivable follows (dollars in thousands):

	July 29, 2001	April 29, 2001
Customers	\$ 54,663	\$ 60,218
Allowance for doubtful accounts	(1,263)	(1,282)
Reserve for returns and allowances	(1,047)	(1,087)
	\$ 52,353	\$ 57,849

3. Inventories

Inventories are carried at the lower of cost or market. Cost is determined for substantially all inventories using the LIFO (last-in, first-out) method.

A summary of inventories follows (dollars in thousands):

	July 29, 2001	April 29, 2001
Raw materials	\$ 33,050	\$ 31,489
Work-in-process	3,731	4,748
Finished goods	22,613	24,148
Total inventories valued at FIFO cost	59,394	60,385
Adjustments of certain inventories to the LIFO cost method	(388)	(388)
	\$ 59,006	\$ 59,997

4. Accounts Payable

A summary of accounts payable follows (dollars in thousands):

	July 29, 2001	April 29, 2001
Accounts payable-trade	\$ 21,826	\$ 21,949
Accounts payable-capital expenditures	2,947	5,422
	\$ 24,773	\$ 27,371

5. Accrued Expenses

A summary of accrued expenses follows (dollars in thousands):

	July 29, 2001	April 29, 2001
Compensation and benefits	\$ 4,780	\$ 6,503
Restructuring	2,540	2,383
Other	9,174	8,267
	\$ 16,494	\$ 17,153

6. Long-Term Debt

A summary of long-term debt follows (dollars in thousands):

	July 29, 2001	April 29, 2001
Senior unsecured notes	\$ 75,000	\$ 75,000
Industrial revenue bonds and other obligations	32,975	32,959
Revolving credit facility	999	999
Obligations to sellers	1,678	2,698
	110,652	111,656
Less current maturities	(2,130)	(2,488)
	\$ 108,522	\$ 109,168

The senior unsecured notes have a fixed coupon rate of 6.76% and an average remaining term of 7 years. The principal payments become due from March 2006 to March 2010 with interest payable semi-annually.

The company's revolving credit agreement (the "Credit Agreement") provides a multi-currency revolving credit facility, which expires in April 2002, with a syndicate of banks in the United States. In August 2001, the company reduced the revolving loan commitment from \$25,000,000 to \$20,000,000, and the Credit Agreement was amended to amend the company's debt to EBITDA ratio, as defined by the agreement. The agreement requires payment of a quarterly facility fee. On borrowings outstanding at July 29, 2001, the interest rate was 7.75% (LIBOR plus 4.00%).

The company's \$2,000,000 revolving line of credit expires on April 2002. At July 29, 2001, no borrowings were outstanding under the revolving line of credit.

The industrial revenue bonds (IRBs) are generally due in balloon maturities which occur at various dates from 2009 to 2013. The IRBs are collateralized by letters of credit for the outstanding balance of the IRBs and certain interest payments due thereunder.

The company's loan agreements require, among other things, that the company maintain compliance with certain financial ratios. At July 29, 2001, the company was in compliance with these financial covenants.

At July 29, 2001, the company had two interest rate swap agreements with a bank. The following table summarizes certain data regarding the interest rate swaps:

notional amount	interest rate	expiration date
\$ 5,000,000	6.9%	June 2002
\$ 5,000,000	6.6%	July 2002

During the first quarter of fiscal 2002, the company recorded a mark-to-market loss of \$58,000 because the interest rate swaps no longer serve as a hedge due to the repayment of debt in fiscal 2001. Management believes the risk of incurring losses resulting from the inability of the bank to fulfill its obligation under the interest rate swap agreements to be remote and that any losses incurred would be immaterial.

7. Cash Flow Information

Payments for interest and income taxes during the period were (dollars in thousands):

	2002	2001
Interest	\$ 785	\$ 1,053
Income taxes	612	0

8. Restructuring

To reduce costs and improve efficiency, the company initiated a restructuring plan in January 2001 to streamline the corporate structure, consolidate manufacturing operations and close certain facilities. The company recorded restructuring charges of \$6.5 million in fiscal 2001 and an additional amount of \$1.3 million, primarily related to health care costs for terminated personnel, in the first quarter of fiscal 2002. A portion of this total restructuring charge, related to the write-down of inventories (\$0.9 million), was classified as a component of cost of sales in fiscal 2001. In addition, the company recognized restructuring related charges, primarily costs related to moving equipment, of \$1.0 million in the first quarter of fiscal 2002 and \$0.9 million in fiscal 2001. The company expects to recognize additional restructuring related charges, primarily costs related to moving equipment, of approximately \$0.2 million in the second quarter of fiscal 2002.

The following summarizes the fiscal 2001 and 2002 restructuring activity (dollars in thousands):

	2001 Non-Cash Write-Downs	Paid in 2001	April 29, 2001 Reserve Balance	2002 Adjustment	2002 Non-Cash Write-Downs	Paid in 2002	July 29, 2001 Reserve Balance
Charges							
Non-cash write-downs of fixed assets to Net realizable value	\$ 2,540	2,540	-	160	160	-	-
Non-cash write-downs Of inventories	874	874	-	-	-	-	-
Employee termination Benefits	969	-	491	925	-	410	993
Lease termination and Other exit costs	2,116	-	1,905	218	-	576	1,547
	\$ 6,499	\$ 3,414	\$ 702	\$ 2,383	\$ 1,303	\$ 986	\$ 2,540

9. Comprehensive Loss

Comprehensive loss is the total of net loss and other changes in equity, except those resulting from investments by shareholders and distributions to shareholders not reflected in net loss.

A summary of total comprehensive loss for the period follows (dollars in thousands):

	2002	2001
Net loss	\$ (2,882)	\$ (1,756)
Other comprehensive loss:		
Loss on cash flow hedges, net of taxes of \$50	(98)	0
	\$ (2,980)	\$ (1,756)

Losses on cash flow hedges reflected in other comprehensive loss above are expected to be recognized in results of operations over the next twelve months.

10. Derivatives

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended by SFAS No. 137 and SFAS No. 138, requires the company to recognize all derivative instruments on the balance sheet at fair value. These statements also establish new accounting rules for hedging instruments, which depend on the nature of the hedge relationship. A fair value hedge requires that the effective portion of the change in the fair value of a derivative instrument be offset against the change in the fair value of the underlying asset, liability, or firm commitment being hedged through earnings. A cash flow hedge requires that the effective portion of the change in the fair value of a derivative instrument be recognized in Other Comprehensive Income ("OCI"), a component of Stockholders' Equity, and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of a derivative instrument's change in fair value is immediately recognized in earnings.

Fair Value Hedging Strategy

The company uses forward exchange contracts and options to hedge against its exposure to currency fluctuations on firm commitments to purchase certain machinery and equipment and raw materials. The company had approximately \$484,000 and \$1,547,000 of outstanding foreign exchange forward contracts (denominated in Euros) as of July 29, 2001 and April 29, 2001, respectively. As of July 29, 2001 the duration of these contracts is three months. Due to the short maturity of these financial instruments, the fair values of these contracts approximate the contract amount.

Cash Flow Hedging Strategy

During 2001, the company adopted a policy to manage the exposure related to forecasted purchases of inventories denominated in the EURO through use of forward exchange contracts and options. At July 29, 2001, the duration of these contracts is fifteen months.

The company adopted SFAS No. 133 as amended, effective April 30, 2001. The effect of this adoption is not material for the three months ended July 29, 2001.

11. Segment Information

The company's operations are classified into two business segments: upholstery fabrics and mattress ticking. The upholstery fabrics segment principally manufactures and sells woven jacquards and dobbies, wet and heat-transfer prints, and woven and tufted velvets primarily to residential and commercial (contract) furniture manufacturers. The mattress ticking segment principally manufactures and sells woven jacquards, heat-transfer prints and pigment prints to bedding manufacturers.

The company internally manages and reports selling, general and administrative expenses, interest expense, interest income, other expense and income taxes on a total company basis. Thus, profit by business segment represents gross profit. In addition, the company internally manages and reports cash and cash investments, accounts receivable, other current assets, restricted investments, property, plant and equipment, goodwill and other assets on a total company basis. Thus, identifiable assets by business segment represent inventories.

Sales, gross profit and inventories for the company's operating segments are as follows:

(dollars in thousands):

	2002	2001
Net sales		
Upholstery Fabrics	\$ 61,647	\$ 74,926
Mattress Ticking	24,816	26,952
	\$ 86,463	\$ 101,878
Gross Profit		
Upholstery Fabrics	\$ 4,540	\$ 7,913
Mattress Ticking	6,249	6,261
	\$ 10,789	\$ 14,174
Inventories		
Upholstery Fabrics	\$ 47,256	\$ 61,213
Mattress Ticking	11,750	13,387
	\$ 59,006	\$ 74,600

12. Recent Accounting Pronouncement

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets". This statement supersedes Accounting Principles Board ("APB") Opinion No. 17 "Intangible Assets". SFAS No. 142 establishes new standards for measuring the carrying value of goodwill related to acquired companies. Management is currently analyzing the impact of adopting SFAS No. 142, which will become effective for the company on April 29, 2002.

CULP, INC.
 SALES BY SEGMENT/DIVISION
 FOR THE THREE MONTHS ENDED JULY 29, 2001 AND JULY 30, 2000

(Amounts in thousands)

Segment/Division	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Total Sales	
	July 29, 2001	July 30, 2000	% Over (Under)	2002	2001
Upholstery Fabrics					
Culp Decorative Fabrics	\$ 35,160	41,533	(15.3) %	40.7 %	40.8 %
Culp Velvets/Prints	25,520	30,074	(15.1) %	29.5 %	29.5 %
Culp Yarn	967	3,319	(70.9) %	1.1 %	3.3 %
	61,647	74,926	(17.7) %	71.3 %	73.5 %
Mattress Ticking					
Culp Home Fashions	24,816	26,952	(7.9) %	28.7 %	26.5 %
	* \$ 86,463	101,878	(15.1) %	100.0 %	100.0 %

* U.S. sales were \$71,800 and \$82,290 for the first quarter of fiscal 2002 and fiscal 2001, respectively. The percentage decrease in U.S. sales was 12.7% for the first quarter.

CULP, INC.
INTERNATIONAL SALES BY GEOGRAPHIC AREA
FOR THE THREE MONTHS ENDED JULY 29, 2001 AND JULY 30, 2000

(Amounts in thousands)

Geographic Area	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Total Sales	
	July 29, 2001	July 30, 2000	% Over (Under)	2002	2001
North America (Excluding USA) \$	8,052	8,395	(4.1) %	54.9 %	42.9 %
Europe	705	1,452	(51.4) %	4.8 %	7.4 %
Middle East	2,903	5,043	(42.4) %	19.8 %	25.7 %
Far East & Asia	2,570	3,236	(20.6) %	17.5 %	16.5 %
South America	159	306	(48.0) %	1.1 %	1.6 %
All other areas	274	1,156	(76.3) %	1.9 %	5.9 %
	\$ 14,663	19,588	(25.1) %	100.0 %	100.0 %
	=====	=====	=====	=====	=====

International sales, and the percentage of total sales, for each of the last five fiscal years follows: fiscal 1997-\$101,571 (25%); fiscal 1998-\$137,223 (29%); fiscal 1999-\$113,354 (23%); fiscal 2000-\$111,104 (23%); and fiscal 2001-\$77,824 (19%). International sales for the first quarter represented 17.0% and 19.2% for 2002 and 2001, respectively.

Item 2.

Management's Discussion and Analysis of Financial
Condition and Results of Operations

The following analysis of the financial condition and results of operations should be read in conjunction with the Financial Statements and Notes and other exhibits included elsewhere in this report.

Overview

Culp is one of the largest integrated marketers in the world for upholstery fabrics for furniture and is one of the leading global producers of mattress fabrics (or ticking). The company's fabrics are used primarily in the production of residential and commercial upholstered furniture and bedding products, including sofas, recliners, chairs, love seats, sectionals, sofa-beds, office seating and mattress sets. Although Culp markets fabrics at most price levels, the company emphasizes fabrics that have broad appeal in the promotional and popular-priced categories of furniture and bedding.

Culp's worldwide leadership as a marketer of upholstery fabrics and mattress ticking has been achieved through internal expansion and the integration of strategic acquisitions.

The company's operating segments are upholstery fabrics and mattress ticking, with related divisions organized within those segments. In upholstery fabrics, Culp Decorative Fabrics markets jacquard and dobby woven fabrics for residential and commercial furniture. Culp Velvets/Prints markets a broad range of printed and velvet fabrics used primarily for residential and juvenile furniture. Culp Yarn manufactures specialty filling yarn that is used by Culp and also marketed to outside customers. In mattress ticking, Culp Home Fashions markets a broad array of fabrics used by bedding manufacturers.

Restructuring Actions

During fiscal 2001, the company initiated a restructuring plan intended to lower operating expenses, increase manufacturing utilization, raise productivity and position the company to operate profitably within the current environment of reduced demand. The plan involved the consolidation of certain fabric manufacturing capacity within the Culp Decorative Fabrics division, closing one of the company's four yarn manufacturing plants within Culp Yarn, and an extensive reduction in selling, general and administrative expenses. The company also recognized certain inventory write-downs related to the closed facilities as part of this initiative. The charge from the restructuring, cost reduction and inventory write-down initiatives is expected to total \$10.0 million, about \$3.6 million of which represents non-cash items. This includes an additional amount of \$1.3 million resulting from re-evaluating restructuring costs in the first quarter of fiscal 2002, principally related to health care costs for terminated personnel. The company recognized \$7.4 million of restructuring and related charges during fiscal 2001 and \$2.3 million in the first quarter of fiscal 2002. Management expects to record the remaining charges, estimated at \$150,000, during the second quarter of fiscal 2002. The company plans to realize annualized cost reductions of at least \$14 million when the full benefit of this program is realized. For the first quarter of fiscal 2002, the restructuring and related charges were recorded with \$1.3 million in the line item called "Restructuring expense" and \$1.0 million in "Cost of sales." The costs reflected in "Cost of sales" are principally related to the relocation of manufacturing equipment.

Management believes the company now has a sound footprint of efficient, world-class facilities utilizing state-of-the-art equipment that positions the company well to meet the demands by manufacturers for even shorter lead times, consistently reliable delivery schedules and appealing designs.

Three Months ended July 29, 2001 compared with Three Months ended July 30, 2000

Net Sales. Compared with fiscal 2001, upholstery fabric sales for the first quarter of fiscal 2002 decreased 17.7% to \$61.6 million, and mattress ticking sales decreased 7.9% to \$24.8 million (See Sales by Segment/Division schedule on page I-11). The upholstery fabric sales decrease reflected: (1) a sharp reduction (24.9%, or \$3.8 million) in international sales, principally due to the high value of the U.S. dollar relative to international currencies; (2) a decrease in external yarn sales (70.9% or \$2.4 million) due to the company's internal consumption of more of the yarn division's output and exit from certain yarn businesses as part of the restructuring plan; (3) a decrease in sales to contract furniture customers (\$1.2 million), and (4) a more moderate decrease (11.6% or \$5.9 million) in sales to U.S. residential furniture manufacturers. The company believes that it is improving its market share in the U.S. residential market because of well-received fabric placements from the Culp Decorative Fabrics and Culp Velvets/Prints divisions. The decline in sales in this category is attributed to general market conditions, and the sales decrease in mattress ticking also reflects an overall slowdown in industry-wide demand for bedding in the U.S.

The company had previously announced that it did not expect to report a profit for the first quarter, excluding restructuring and related charges. Key factors influencing the year-to-year comparison were the sharp, persistent weakness in consumer spending on home furnishings, especially in the promotional price category, and the strength in the U.S. dollar that had an adverse impact on exports. Although industry conditions remain challenging, incoming orders early in the second quarter for mattress ticking and from U.S. residential furniture customers are showing some improvement. Based on this trend, Culp expects to operate its manufacturing capacity at a higher level of output than in the first quarter. Any increase in demand from U.S. manufacturers of residential furniture is expected to be offset in part by a continued decline in international and contract orders.

Gross Profit and Cost of Sales. Gross profit included restructuring related charges of \$1.0 million. Excluding these charges, gross profit declined 17.0% for the first quarter of fiscal 2002 compared with the year-earlier period and decreased as a percentage of net sales from 13.9% to 13.6%. The decline of \$2.4 million in gross profit, excluding restructuring related charges, was attributable to the Culp Decorative Fabrics ("CDF") division. The principal factors contributing to the decrease were: (1) the decline in sales volume, and (2) lower manufacturing productivity due to the consolidation activities within the division during the quarter. The company has taken significant steps to improve productivity and increase output in the CDF division over the last six months. Although the company expects to see improving results from these restructuring steps in the second quarter for CDF, it does not expect to realize the full benefit of these actions until the second half of fiscal 2002. The company experienced gross margin improvement in each of its other divisions, even while reporting lower sales in those divisions.

Selling, General and Administrative Expenses. SG&A expenses for the first quarter declined 18.5% from the prior year. Reflecting the impact of the company's actions to reduce expenses, SG&A expenses declined from 13.5% to 13.0% as a percentage of sales. SG&A expenses in the first quarter include bad debt expense of \$800,000 compared with \$45,000 in the year-earlier period. The increase in bad debt expense from a year ago primarily reflects write-offs related to two residential furniture customers. Without the additional bad debt expense, SG&A expenses were reduced by \$3.3 million, or 23.9%, and were 12.1% of net sales.

Interest Expense. Interest expense for the first quarter declined from \$2.3 million to \$2.1 million due to significantly lower borrowings outstanding, offset somewhat by a substantial increase in interest rates.

Other Expense (Income). Other expense (income) for the first quarter of fiscal 2002 totaled \$572,000 compared with \$741,000 in the prior year. The decrease was principally due to the company's deferred compensation plan, which was terminated in January 2001 as a part of the company's cost reduction initiative.

Income Taxes. The effective tax rate for the first quarter of fiscal 2002 was 34.0%, unchanged from the prior year.

Net Loss Per Share. Net loss per share for the first quarter of fiscal 2002, excluding restructuring and related charges, totaled (\$0.12) per share diluted (based on 11,221,000 average shares outstanding during the period) compared with a net loss of (\$0.16) per share diluted (based on 11,209,000 average shares outstanding during the period) a year ago.

Liquidity and Capital Resources

Liquidity. Operating working capital (comprised of accounts receivable, inventory and accounts payable) was \$86.6 million at July 29, 2001, down from \$108.5 million a year ago.

The company has reduced funded debt by \$26.2 million or 19.1% from the first quarter of last year, and by \$1.0 million from last fiscal year end. Funded debt equals long-term debt plus current maturities. Funded debt was \$110.7 million at July 29, 2001, compared with \$136.8 million a year ago and \$111.7 million at fiscal year end. Compared with 51.8% a year ago, the company's funded debt-to-capital ratio was 48.2% at July 29, 2001, its lowest level since July 1997. Through the first three months of fiscal 2002, the company had an operating cash flow of \$4.4 million compared with \$9.6 million in the year-earlier period.

EBITDA for the first quarter of fiscal 2002 was \$4.8 million compared with \$5.2 million in the prior year. EBITDA excludes interest, income taxes, depreciation, amortization, and all restructuring and related charges, non-cash or cash.

Financing Arrangements. Culp has \$75 million of senior unsecured notes with a fixed coupon rate of 6.76% and an average remaining term of seven years.

In addition, the company has a \$20 million syndicated, multi-currency revolving credit facility. The facility, which expires in April 2002, requires quarterly payments of interest on all outstanding borrowings and a quarterly facility fee. In January and August 2001, the company amended the credit facility to amend certain covenants. Additionally, the January amendment increased the interest rate from LIBOR plus 1.10% to 1.60% to LIBOR plus 2.50% to 4.25%. The interest rate matrix is based on the company's debt to EBITDA ratio, as defined by the facility, such that a lower ratio allows for a lower interest rate. The amended facility also limits capital expenditures and restricts dividends and common stock repurchases. As of July 29, 2001, the company had outstanding balances of approximately \$1 million under the credit facility.

The company also has a total of \$33.0 million in currently outstanding industrial revenue bonds ("IRBs") which have been used to finance capital expenditures. The IRBs bear interest at variable rates with a weighted average of 8.26%, including the letter of credit fee percentage. The IRBs are collateralized by letters of credit for the outstanding balance of the IRBs and certain interest payments due thereunder. The January 2001 amendment to the credit facility also increased the letter of credit fees to a range from 2.50% to 4.25%, based on the company's debt to EBITDA ratio.

The company's loan agreements require, among other things, that the company maintain compliance with certain financial ratios. As of July 29, 2001, the company was in compliance with these financial covenants.

As of July 29, 2001, the company had two interest rate swap agreements with a \$10 million notional amount. During the first quarter of fiscal 2002, the company recorded a mark-to-market loss of \$58,000 because the interest rate swaps no longer serve as a hedge due to the repayment of debt. The company also enters into foreign exchange forward and option contracts to hedge against currency fluctuations with respect to firm commitments and anticipated transactions to purchase certain machinery, equipment and raw materials.

Capital Expenditures. The company maintains an ongoing program of capital expenditures designed to increase capacity as needed, enhance manufacturing efficiencies through modernization and increase the company's vertical integration. The company's budget for capital spending for fiscal 2002 is \$4.0 million, compared with \$8.1 million in fiscal 2001. Depreciation for the first quarter of fiscal 2002 totaled \$4.5 million.

The company believes that cash flows from operations and funds available under existing credit facilities will be sufficient to fund capital expenditures and working capital requirements for the foreseeable future.

Inflation

The cost of the company's raw materials is remaining generally stable although, the company is experiencing some price increases in petroleum related raw materials. Factors that reasonably can be expected to influence margins in the future include changes in raw material prices, trends in other operating costs and overall competitive conditions.

Seasonality

The company's business is slightly seasonal, with relatively stronger sales during the second and fourth fiscal quarters. This seasonality results from one-week closings of the company's manufacturing facilities, and the facilities of most of its customers in the United States, during the first and third quarters for the holiday weeks including July 4th and Christmas.

Forward-Looking Information

The company's quarterly report on Form 10-Q contains statements that may be deemed "forward-looking statements" within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. Such statements are inherently subject to risks and uncertainties. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often characterized by qualifying words such as "expect," "believe," "estimate," "plan," and "project" and their derivatives. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income and general economic conditions. Decreases in these economic indicators could have a negative effect on the company's business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect the company adversely. Because of the significant percentage of the company's sales derived from international shipments, strengthening of the U.S. dollar against other currencies could make the company's products less competitive on the basis of price in markets outside the United States. Additionally, economic and political instability in international areas could affect the demand for the company's products.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets." This statement supersedes Accounting Principles Board ("APB") Opinion No. 17 "Intangible Assets." SFAS No. 142 establishes new standards for measuring the carrying value of goodwill related to acquired companies. Management is currently analyzing the impact of adopting SFAS No. 142, which will become effective for the Company on April 29, 2002.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The company is exposed to market risk from changes in interest rates on debt and foreign currency exchange rates. The company's market risk sensitive instruments are not entered into for trading purposes. The company has not experienced any significant changes in market risk since July 29, 2001.

The company's exposure to interest rate risk consists of floating rate debt based on the London Interbank Offered Rate plus an adjustable margin under the company's revolving credit agreement and variable rate debt in connection with industrial revenue bonds. To lower or limit overall borrowing costs, the company entered into interest rate swap agreements to modify the interest characteristics of portions of its outstanding debt. The agreements entitle the company to receive or pay to the counterparty (a major bank), on a quarterly basis, the amounts, if any, by which the company's interest payments covered by swap agreements differ from those of the counterparty. As of July 29, 2001 the fair value of the swap agreements and changes in fair value resulting from changes in market interest rates are recognized in the consolidated financial statements because the interest rate swaps no longer serve as a hedge due to the repayment of debt in fiscal 2001. The annual impact on the company's results of operations of a 100 basis point interest rate change on the July 29, 2001 outstanding balance of the variable rate debt would be approximately \$320,000 irrespective of any swaps.

The company's exposure to fluctuations in foreign currency exchange rates is due primarily to a foreign subsidiary domiciled in Canada and firmly committed and anticipated purchases of certain machinery, equipment and raw materials in foreign currencies. The company's Canadian subsidiary uses the United States dollar as its functional currency. The company generally does not use financial derivative instruments to hedge foreign currency exchange rate risks associated with the Canadian subsidiary. However, the company generally enters into foreign exchange forward and option contracts as a hedge against its exposure to currency fluctuations on firmly committed and anticipated purchases of certain machinery, equipment and raw materials. The Canadian subsidiary is not material to the company's consolidated results of operations; therefore, the impact of a 10% change in the exchange rate at July 29, 2001 would not have a significant impact on the company's results of operations or financial position. Additionally, as the company utilizes foreign currency instruments for hedging

anticipated and firmly committed transactions, a loss in fair value for those instruments is generally offset by increases in the value of the underlying exposure.

Part II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

The following exhibits are filed as part of this report.

- 3(i) Articles of Incorporation of the Company, as amended, were filed as Exhibit 3(i) to the Company's Form 10-Q for the quarter ended January 29, 1995, filed March 15, 1995, and are incorporated herein by reference.
- 3(ii) Restated and Amended Bylaws of the Company, as amended June 12, 2001.
- 3(iii) Articles of Amendment of Culp, Inc. dated October 5, 1999 for the purpose of amending its Restated Charter to fix the designation, preferences, limitations and relative rights of a series of its Preferred Stock. The Articles of Amendment of Culp, Inc. were filed as Exhibit 3(iii) to the Company's Form 10-Q for the quarter ended October 31, 1999, filed December 15, 1999, and are incorporated herein by reference.
- 10(a) Sixth Amendment to Credit Agreement dated March 28, 2001, among Wachovia Bank, N.A., as agent, First Union National Bank, as documentation agent, and Wachovia Bank, N.A., First Union National Bank, and Suntrust Bank as lenders.
- 10(b) Seventh Amendment to Credit Agreement, dated August 29, 2001, among Wachovia Bank, N.A., as agent, First Union National Bank, as documentation agent, and Wachovia Bank, N.A., First Union National Bank, and Suntrust Bank as lenders.

(b) Reports on Form 8-K:

The following reports on Form 8-K were filed during the period covered by this report:

- (1) Form 8-K dated August 22, 2001, included under Item 5, Other Events, the Company's press release for quarterly earnings and the Financial Information Release relating to certain financial information for the quarter and year ended July 29, 2001.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CULP, INC.
(Registrant)

Date: September 12, 2001 By: s/s Franklin N. Saxon
Franklin N. Saxon
Executive Vice President and
Chief Financial Officer

(Authorized to sign on behalf
of the registrant and also sign-
ing as principal financial officer)

OF
CULP, INC.

ARTICLE I.

OFFICES:

- Section 1. Principal Office.
- Section 2. Registered Office.
- Section 3. Other Offices.

ARTICLE II.

MEETINGS OF SHAREHOLDERS:

- Section 1. Place of Meetings.
- Section 2. Annual Meetings.
- Section 3. Substitute Annual Meeting.
- Section 4. Special Meetings.
- Section 5. Notice of Meetings.
- Section 6. Waiver of Notice.
- Section 7. Shareholders' List.
- Section 8. Voting Group.
- Section 9. Quorum.
- Section 10. Proxies.
- Section 11. Voting of Shares.
- Section 12. Informal Action by Shareholders.
- Section 13. North Carolina Shareholder Protection Act.
- Section 14. North Carolina Control Share Act.
- Section 15. Actions to be Taken at an Annual Meeting of Shareholders.

ARTICLE III.

BOARD OF DIRECTORS:

- Section 1. General Powers.
- Section 2. Number, Term and Qualifications.
- Section 3. Nomination and Election of Directors.
- Section 4. Cumulative Voting.
- Section 5. Removal.
- Section 6. Vacancies.
- Section 7. Chairman of Board.
- Section 8. Compensation.

ARTICLE IV.

MEETINGS OF DIRECTORS:

- Section 1. Regular Meetings.
- Section 2. Special Meetings.
- Section 3. Notice of Meetings.
- Section 4. Waiver of Notice.
- Section 5. Quorum.
- Section 6. Manner of Acting.
- Section 7. Presumption of Assent.
- Section 8. Action Without Meeting.
- Section 9. Committees of the Board.

ARTICLE V.

OFFICERS:

- Section 1. Officers of the Corporation.
- Section 2. Appointment and Term.
- Section 3. Compensation of Officers.
- Section 4. Removal.
- Section 5. Resignation.
- Section 6. Bonds.
- Section 7. President.
- Section 8. Vice Presidents.
- Section 9. Secretary.
- Section 10. Assistant Secretaries.
- Section 11. Vice President-Finance and Administration.
- Section 12. Treasurer.
- Section 13. Assistant Treasurers.

ARTICLE VI.

CONTRACTS, LOANS, CHECKS AND DEPOSITS:

- Section 1. Contracts.
- Section 2. Loans.
- Section 3. Checks and Drafts.
- Section 4. Deposits.

ARTICLE VII.

SHARES AND THEIR TRANSFER:

- Section 1. Certificates for Shares.
- Section 2. Transfer of Shares.
- Section 3. Lost Certificate.
- Section 4. Fixing Record Date.
- Section 5. Holder of Record.

Section 6. Shares Held by Nominees.

ARTICLE VIII.

INDEMNIFICATION OF DIRECTORS:

- Section 1. Indemnification of Directors.
- Section 2. Advancement of Expenses.
- Section 3. Settlements.
- Section 4. Benefit of Provisions.
- Section 5. Authorization.

ARTICLE IX.

GENERAL PROVISIONS:

- Section 1. Distributions.
- Section 2. Seal.
- Section 3. Fiscal Year.
- Section 4. Amendments.
- Section 5. Definitions.

RESTATED AND AMENDED BYLAWS

OF

CULP, INC.

ARTICLE I.

OFFICES

Section 1.

Principal Office. The principal office of the corporation shall be located at 101 South Main Street, High Point, Guilford County, North Carolina.

Section 2.

Registered Office. The registered office of the corporation required by law to be maintained in the State of North Carolina may be, but need not be, identical with the principal office.

Section 3.

Other Offices. The corporation may have offices at such other places, either within or without the State of North Carolina, as the Board of Directors may designate or as the affairs of the corporation may require from time to time.

ARTICLE II.

MEETINGS OF SHAREHOLDERS

Section 1.

Place of Meetings. All meetings of shareholders shall be held at the principal office of the corporation, or at such other place, either within or without the State of North Carolina, as shall be fixed by the President, the Secretary or the Board of Directors and designated in the notice of the meeting.

Section 2.

Annual Meetings. The annual meeting of shareholders shall be held at 9:00 a.m. on the third Tuesday in September of each year, or at such time and on such date as the Board of Directors may determine, for the purpose of electing directors of the corporation and for the transaction of such other business as may be properly brought before the meeting. If the third Tuesday in September shall be a legal holiday, such meeting shall be held on the next succeeding business day, unless the Board of Directors shall determine otherwise.

Section 3.

Substitute Annual Meeting. If the annual meeting shall not be held on the day designated by these bylaws, a substitute annual meeting may be called in accordance with the provisions of Section 4 of this Article II. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 4.

Special Meetings. Special meetings of the shareholders of the corporation may be called at any time by the Chief Executive Officer, the President, or the Board of Directors.

Section 5.

Notice of Meetings. Written notice stating the date, time and place of the meeting shall be given not less than ten nor more than sixty days before the date of any shareholders' meeting, by personal delivery, by telegraph, teletype, or other form of wire or wireless communication, by facsimile transmission or by mail or private carrier, by or at the direction of the Board of Directors, the President, or the Secretary to each shareholder of record entitled to vote at such meeting; provided that such notice must be given to all shareholders with respect to any meeting at which a merger or share exchange is to be considered and in such other instances as required by law. If mailed, such notice shall be deemed to be effective when deposited in the United States mail, correctly addressed to the shareholder at his address as it appears on the current record of shareholders of the corporation, with postage thereon prepaid.

In the case of a special meeting, the notice of meeting shall include a description of the purpose or purposes for which the meeting is called; but, in the case of an annual or substitute annual meeting, the notice of meeting need not include a description of the purpose or purposes for which the meeting is called unless such a description is required by the provisions of the North Carolina Business Corporation Act.

When a meeting is adjourned to a different date, time or place, notice need not be given of the new date, time or place if the new date, time or place is announced at the meeting before adjournment and if a new record date is not fixed for the adjourned meeting; but if a new record date is fixed for the adjourned meeting (which must be done if the new date is more than 120 days after the date of the original meeting), notice of the adjourned meeting must be given as provided in this section to persons who are shareholders as of the new record date.

Section 6.

Waiver of Notice. Any shareholder may waive notice of any meeting before or after the meeting. The waiver must be in writing, signed by the shareholder and

delivered to the corporation for inclusion in the minutes or filing with the corporate records. A shareholder's attendance, in person or by proxy, at a meeting (a) waives objection to lack of notice or defective notice of the meeting, unless the shareholder or his proxy at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (b) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder or his proxy objects to considering the matter before it is voted upon.

Section 7.

Shareholders' List. Before each meeting of shareholders, the Secretary of the corporation shall prepare an alphabetical list of the shareholders entitled to notice of such meeting. The list shall be arranged by voting group (and within each voting group by class or series of shares) and show the address of and number of shares held by each shareholder. The list shall be kept on file at the principal office of the corporation, or at a place identified in the meeting notice in the city where the meeting will be held, for the period beginning two business days after notice of the meeting is given and continuing through the meeting, and shall be available for inspection by any shareholder, his agent or attorney at any time during regular business hours. The list shall also be available at the meeting and shall be subject to inspection by any shareholder, his agent or attorney at any time during the meeting or any adjournment thereof.

Section 8.

Voting Group. All shares of one or more classes or series that under the articles of incorporation or the North Carolina Business Corporation Act are entitled to vote and be counted together collectively on a matter at a meeting of shareholders constitute a voting group. All shares entitled by the articles of incorporation or the North Carolina Business Corporation Act to vote generally on a matter are for that purpose a single voting group. Classes or series of shares shall not be entitled to vote separately by voting group unless expressly authorized by the articles of incorporation or specifically required by law.

Section 9.

Quorum. Shares entitled to vote as a separate voting group may take action on a matter at the meeting only if a quorum of those shares exists. A majority of the votes entitled to be cast on the matter by the voting group constitutes a quorum of that voting group for action on that matter.

Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting.

In the absence of a quorum at the opening of any meeting of shareholders, such meeting may be adjourned from time to time by the vote of a majority of the votes cast on the motion to adjourn; and, subject to the provisions of Section 5 of this Article-II, at any adjourned meeting any business may be transacted that might have been transacted at the original meeting if a quorum exists with respect to the matter proposed.

Section 10.

Proxies. Shares may be voted either in person or by one or more proxies authorized by a written appointment of proxy executed by the shareholder or by his duly authorized attorney-in-fact. An appointment of proxy is valid for eleven months from the date of its execution, unless a different period is expressly provided in the appointment form.

Section 11.

Voting of Shares. Subject to the provisions of Section 4 of Article III, each outstanding share shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders.

Except in the election of directors as governed by the provisions of Section 3 of Article III, if a quorum exists, action on a matter by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless a greater vote is required by law or the articles of incorporation or these bylaws.

Absent special circumstances, shares of the corporation are not entitled to vote if they are owned, directly or indirectly, by another corporation in which the corporation owns, directly or indirectly, a majority of the shares entitled to vote for directors of the second corporation; provided, however, that this provision does not limit the power of the corporation to vote its own shares held by it in a fiduciary capacity.

Section 12.

Informal Action by Shareholders. Any action that is required or permitted to be taken at a meeting of the shareholders may be taken without a meeting if one or more written consents, describing the action so taken, shall be signed by all of the shareholders who would be entitled to vote upon such action at a meeting, and delivered to the corporation for inclusion in the minutes or filing with the corporate records.

If the corporation is required by law to give notice to nonvoting shareholders of action to be taken by unanimous written consent of the voting shareholders, then the corporation shall give the nonvoting shareholders, if any, written notice of the proposed action at least ten days before the action is taken.

Section 13.

North Carolina Shareholder Protection Act. The provisions of Article 9 of Chapter 55 of the General Statutes of North Carolina, entitled "The North Carolina Shareholder Protection Act," shall not apply to the corporation.

Section 14.

North Carolina Control Share Act. The provisions of Article 9A of Chapter 55 of the General Statutes of North Carolina, entitled "The North Carolina Control Share Acquisition Act," shall not apply to the corporation.

Section 15.

Actions to Be Taken at an Annual Meeting of Shareholders. No business shall be transacted at an annual meeting of shareholders, except such business as shall be (a) specified in the notice of meeting given as provided in Section-5 of this Article-II, (b) otherwise brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise brought before the meeting by a shareholder of record of the corporation entitled to vote at the meeting, in compliance with the procedure set forth in this Section-15. For business to be brought before an annual meeting by a shareholder pursuant to (c) above, the shareholder must have given timely notice in writing to the Secretary. To be timely, a shareholder's notice shall be delivered to, or mailed and received at, the principal executive offices of the corporation not less than sixty days nor more than ninety days prior to the meeting; provided, however, that in the event that less than seventy days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting or such public disclosure was made. Notice shall be deemed to have been given more than seventy days in advance of the annual meeting if the annual meeting is called on the date indicated by Section 2 of this Article II without regard to when public disclosure thereof is made. Notice of actions to be brought before the annual meeting pursuant to (c) above shall set forth as to each matter the shareholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for bringing such business before the annual meeting, and (b) as to the shareholders giving the notice, (i) the name and address, as they appear on the corporation's books, of such shareholder, (ii) the classes and number of shares of the corporation which are owned of record or beneficially by such shareholder, and (iii) any material interest of such shareholder in such business other than his interest as a shareholder of the corporation. Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at an annual meeting except in accordance with the provisions set forth in this Section 15. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that any business was not properly brought before the meeting in accordance with the provisions prescribed by these bylaws and, if he should so determine, he shall so declare to the meeting and, to the extent permitted by law, any such business not so properly brought before the meeting shall not be transacted.

ARTICLE III.

BOARD OF DIRECTORS

Section 1.

General Powers. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, its Board of Directors.

Section 2.

Number, Term and Qualifications. The number of directors constituting the Board of Directors shall be not less than nine (9) nor more than fifteen (15) as may be fixed by resolution duly adopted by the shareholders at or prior to the annual meeting at which such directors are to be elected; and, in the absence of such a resolution, the number of directors shall be the number elected at the preceding annual meeting. Any directorships not filled by the shareholders shall be treated as vacancies to be filled by and in the discretion of the Board of Directors.

The directors shall be divided into three classes, as nearly equal in number as may be, to serve in the first instance for terms of one, two and three years, respectively, and until their successors shall be elected and shall qualify, and thereafter the successors in each class of directors shall be elected to serve for terms of three years and until their successors shall be elected and shall qualify. In the event of any increase or decrease in the number of directors, the additional or eliminated directorships shall be so classified or chosen that all classes of directors shall remain or become equal in number, as nearly as may be. Directors need not be residents of the State of North Carolina or

shareholders of the corporation.

Section 3.

Nomination and Election of Directors. Except as provided in the corporation's articles of incorporation or in Section 6 of this Article III, the directors shall be elected at the annual meeting of shareholders; and those persons who receive the highest number of votes at a meeting at which a quorum is present shall be deemed to have been elected. If any shareholder so demands, the election of directors shall be by ballot.

Only persons who are nominated in accordance with the provisions set forth in these bylaws shall be eligible to be elected as directors at an annual or special meeting of shareholders. Nomination for election to the Board of Directors shall be made by a Nominating Committee, or by the Board of Directors in the event the Board elects not to appoint a Nominating Committee, which election shall rest in the sole discretion of the Board from year to year. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more shareholders of the corporation. The Nominating Committee, if appointed, shall be appointed by the Board of Directors prior to each annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

Nomination for election of any person to the Board of Directors may also be made if written notice of the nomination of such person shall have been delivered to the Secretary of the corporation, at the principal office of the corporation, at least sixty days prior to the date of the annual or special meeting of shareholders at which such election is to be held. Such notice of nomination shall include at least the following information with respect to the nominee: name, home and business addresses, and telephone numbers, current employment description, five-year employment description, list of other directorships held during the past five years and number of shares of the corporation's capital stock held of record and beneficially.

Section 4.

Cumulative Voting. Every shareholder entitled to vote at an election of directors shall have the right to vote the number of shares standing of record in his name for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes on the same principle among any number of such candidates. This right of cumulative voting shall not be exercised unless some shareholder or proxy holder announces in open meeting, before the voting for the directors starts, his intention so to vote cumulatively; and if such announcement is made, the chair shall declare that all shares entitled to vote have the right to vote cumulatively and shall thereupon grant a recess of not less than one nor more than four hours, as he shall determine, or of such other period of time as is unanimously then agreed upon.

Section 5.

Removal. A director may not be removed without cause. Any director may be removed at any time for cause by a vote of the shareholders holding a majority of the outstanding shares entitled to vote at an election of directors. However, unless the entire Board of Directors is removed, an individual director shall not be removed when the number of shares voting against the proposal for removal would be sufficient to elect a director if such shares could be voted cumulatively at an annual election. If a director is elected by a voting group of shareholders, only the shareholders of that voting group may participate in the vote to remove him. A director may not be removed by the shareholders at a meeting unless the notice of the meeting states that the purpose, or one of the purposes, of the meeting is removal of the director. If any directors are so removed, new directors may be elected at the same meeting.

Section 6.

Vacancies. Any vacancy occurring in the Board of Directors, including without limitation a vacancy resulting from an increase in the number of directors or from the failure by the shareholders to elect the full authorized number of directors, may be filled by the shareholders or by the Board of Directors, whichever group shall act first. If the directors remaining in office do not constitute a quorum, the directors may fill the vacancy by the affirmative vote of a majority of all the remaining directors, or by the sole remaining director, remaining in office. If the vacant office was held by a director elected by a voting group, only the remaining director or directors elected by that voting group or the holders of shares of that voting group are entitled to fill the vacancy. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

Section 7.

Chairman of Board. There may be a Chairman of the Board of Directors elected by the directors from their number at any meeting of the Board. The Chairman shall preside at all meetings of the Board of Directors and shall perform such other duties as may be directed by the Board.

Section 8.

Compensation. The Board of Directors may provide for the compensation of directors for their services as such and for the payment or reimbursement of any or all expenses incurred by them in connection with such services.

ARTICLE IV.

MEETINGS OF DIRECTORS

Section 1.

Regular Meetings. A regular meeting of the Board of Directors shall be held immediately after, and at the same place as, the annual meeting of shareholders. In addition, the Board of Directors may provide, by resolution, the time and place, either within or without the State of North Carolina, for the holding of additional regular meetings.

Section 2.

Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or by any two directors. Such a meeting may be held either within or without the State of North Carolina, as fixed or persons calling the meeting.

Section 3.

Notice of Meetings. Regular meetings of the Board of Directors may be held without notice. The person or persons calling a special meeting of the Board of Directors shall, at least two days before the meeting, give or cause to be given notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called. Any duly convened regular or special meeting may be adjourned by the directors to a later time without further notice.

Section 4.

Waiver of Notice. Any director may waive notice of any meeting before or after the meeting. The waiver must be in writing, signed by the director entitled to the notice and delivered to the corporation for inclusion in the minutes or filing with the corporate records. A director's attendance at or participation in a meeting waives any required notice of such meeting unless the director at the beginning of the meeting, or promptly upon arrival, objects to holding the meeting or to transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 5.

Quorum. Unless the articles of incorporation or these bylaws provide otherwise, a majority of the number of directors fixed by or pursuant to these bylaws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 6.

Manner of Acting. Except as otherwise provided in the articles of incorporation or these bylaws, including Section 9 of this Article IV, the affirmative vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 7.

Presumption of Assent. A director who is present at a meeting of the Board of Directors or a committee of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless (a) he objects at the beginning of the meeting, or promptly upon his arrival, to holding it or to transacting business at the meeting, or (b) his dissent or abstention from the action taken is entered in the minutes of the meeting, or (c) he files written notice of his dissent or abstention with the presiding officer of the meeting before its adjournment or with the corporation immediately after the adjournment of the meeting. Such right of dissent or abstention is not available to a director who votes in favor of the action taken.

Section 8.

Action Without Meeting. Action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if the action is taken by all members of the Board. The action must be evidenced by one or more written consents signed by each director before or after such action, describing the action taken, and included in the minutes or filed with the corporate records. Action so taken is effective when the last director signs the consent, unless the consent specifies a different effective date.

Section 9.

Committees of the Board. The Board of Directors may create an Executive Committee, a Nominating Committee and other committees of the board and appoint members of the Board of Directors to serve on them. The creation of a committee of the board and appointment of members to it must be approved by the greater of (a) a majority of the number of directors in office when the action is taken or (b) the number of directors required to take action pursuant to Section 6 of

this Article IV. Each committee of the board must have two or more members and, to the extent authorized by law and specified by the Board of Directors, shall have and may exercise all of the authority of the Board of Directors in the management of the corporation. Any vacancy occurring in a committee shall be filled by the vote of a majority of the number of directors fixed by these bylaws at a regular or special meeting of the Board of Directors. Any member of a committee may be removed at any time with or without cause by a majority of the number of directors fixed by these bylaws. Each committee shall keep regular minutes of its proceedings and report to the Board of Directors when required. If action taken by a committee is not thereafter formally considered by the Board of Directors, a director may dissent from such action by filing his written objection with the Secretary with reasonable promptness after learning of such action. The provisions in these bylaws governing meetings, action without meetings, notice and waiver of notice, and quorum and voting requirements of the Board of Directors apply to committees of the Board of Directors established under this section.

ARTICLE V.

OFFICERS

Section 1.

Officers of the Corporation. The officers of the corporation shall consist of a President, a Secretary, a Treasurer and such Vice Presidents, Assistant Secretaries, Assistant Treasurers, and other officers as may from time to time be appointed by or under the authority of the Board of Directors. Any two or more offices may be held by the same person, but no officer may act in more than one capacity where action of two or more officers is required.

Section 2.

Appointment and Term. The officers of the corporation shall be appointed by the Board of Directors or by a duly appointed officer authorized by the Board of Directors to appoint one or more officers or assistant officers. Each officer shall hold office until his death, resignation, retirement, removal or disqualification, or until his successor shall have been appointed.

Section 3.

Compensation of Officers. The compensation of all officers of the corporation shall be fixed by or under the authority of the Board of Directors, and no officer shall serve the corporation in any other capacity and receive compensation therefor unless such additional compensation shall be duly authorized. The appointment of an officer does not itself create contract rights.

Section 4.

Removal. Any officer may be removed by the Board of Directors at any time with or without cause; but such removal shall not itself affect the officer's contract rights, if any, with the corporation.

Section 5.

Resignation. An officer may resign at any time by communicating his resignation to the corporation, orally or in writing. A resignation is effective when communicated unless it specifies in writing a later effective date. If a resignation is made effective at a later date that is accepted by the corporation, the Board of Directors may fill the pending vacancy before the effective date if the Board provides that the successor does not take office until the effective date. An officer's resignation does not affect the corporation's contract rights, if any, with the officer.

Section 6.

Bonds. The Board of Directors may by resolution require any officer, agent, or employee of the corporation to give bond to the corporation, with sufficient sureties, conditioned on the faithful performance of the duties of his respective office or position, and to comply with such other conditions as may from time to time be required by the Board of Directors.

Section 7.

Chief Executive Officer. The Chief Executive Officer shall be the principal executive officer of the corporation and, subject to the supervision of the Board of Directors, shall have the general powers and duties of supervision and management of the business of the corporation and its officers and agents, usually vested in the office of president of a corporation. The Chief Executive Officer shall have all such powers with respect to such business and affairs as may be reasonably incident to such responsibilities, including, but not limited to, the power to employ, discharge, or suspend employees and agents of the corporation, to fix the compensation of employees and agents, and to suspend, with or without cause, any officer of the corporation pending final action by the Board of Directors with respect to continued suspension, removal, or reinstatement of such officer. The Chief Executive Officer shall have the authority to institute or defend legal proceedings when the directors are deadlocked. The Chief Executive Officer shall sign, with the Secretary, an Assistant Secretary, or any other proper officer of the corporation thereunto authorized by the Board of Directors, certificates for shares of the corporation, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these bylaws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed. The Chief Executive Officer shall see that all orders and resolutions of the Board of Directors are carried into effect and shall perform such other duties and have such other authority and powers as the Board of Directors may from time to time prescribe. In addition, the power and authority to appoint, remove, withdraw officers, or change titles of officers is delegated to the Chief Executive

Officer, subject to approval, or disapproval, of the Board of Directors at their next meeting following such appointment, removal, withdrawal, or change of title. The Chief Executive Officer, when present, shall preside at all meetings of the shareholders.

Section 8.

President. The President shall have such powers and duties as may be prescribed from time to time by the Board of Directors or as may be delegated from time to time by the Chief Executive Officer. The President shall exercise the powers of the Chief Executive Officer during that officer's absence or inability to act. With the approval of the Board of Directors, the same individual may simultaneously occupy both the office of President and Chief Executive Officer.

Section 9.

Vice Presidents. In the absence of the President or in the event of his death, inability or refusal to act, the Vice Presidents in the order of their length of service as such, unless otherwise determined by the Board of Directors, shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President may sign, with the Secretary or an Assistant Secretary, certificates for shares of the corporation; and shall perform such other duties as from time to time may be prescribed by the President or Board of Directors.

Section 10.

Secretary. The Secretary shall: (a) keep the minutes of the meetings of the shareholders, of the Board of Directors and of all committees in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; (c) maintain and authenticate the records of the corporation and be custodian of the seal of the corporation and see that the seal of the corporation is affixed to all documents the execution of which on behalf of the corporation under its seal is duly authorized; (d) keep a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder; (e) sign with the President, or a Vice President, certificates for shares of the corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (f) maintain and have general charge of the stock transfer books of the corporation; (g) keep or cause to be kept in the State of North Carolina at the corporation's registered office or principal place of business a record of the corporation's shareholders, giving the names and addresses of all shareholders and the number and class of shares held by each, and prepare or cause to be prepared shareholder lists prior to each meeting of shareholders as required by law; (h) attest the signature or certify the incumbency or signature of any officer of the corporation; and (i) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be prescribed by the President or by the Board of Directors.

Section 11.

Assistant Secretaries. In the absence of the Secretary or in the event of his death, inability or refusal to act, the Assistant Secretaries in the order of their length of service as Assistant Secretary, unless otherwise determined by the Board of Directors, shall perform the duties of the Secretary, and when so acting shall have all the powers of and be subject to all the restrictions upon the Secretary. They shall perform such other duties as may be prescribed by the Secretary, by the President or by the Board of Directors. Any Assistant Secretary may sign, with the President or a Vice President, certificates for shares of the corporation.

Section 12.

Vice President - Chief Financial Officer. The Vice President - Chief Financial Officer shall have custody of all funds and securities belonging to the corporation and shall receive, deposit or disburse the same under the direction of the Board of Directors. He shall keep full and accurate accounts of the finances of the corporation in books especially provided for that purpose; and he shall cause to be prepared statements of its assets and liabilities as of the close of each fiscal year and of the results of its operations and of changes in surplus for such fiscal year, all in reasonable detail, including particulars as to convertible securities then outstanding, and shall cause such statements to be filed at the registered or principal office of the corporation within four months after the end of such fiscal year, and shall mail such statements, or a written notice of their availability, to each shareholder within 120 days after the end of each such fiscal year. The statement so filed shall be kept available for inspection by any shareholder for a period of ten years; and the Vice President - Chief Financial Officer shall mail or otherwise deliver a copy of the latest such statement to any shareholder upon his written request therefor. The Vice President - Chief Financial Officer shall, in general, perform all duties incident to his office and such other duties as may be assigned to him from time to time by the President or by the Board of Directors.

Section 13.

Treasurer. The Treasurer shall, in the absence or disability of the Vice President - Chief Financial Officer, perform the duties and exercise the powers of that office, and shall, in general, perform such other duties as shall be assigned to him by the Vice President - Chief Financial Officer, the President, or the Board of Directors.

Section 14.

Assistant Treasurers. In the absence of the Treasurer or in the event of his death, inability or refusal to act, the Assistant Treasurers in the order of their length of service as such, unless otherwise determined by the Board of Directors, shall perform the duties of the Treasurer, and when so acting shall have all the powers of and be subject to all the restrictions upon the Treasurer. They shall perform such other duties as may be assigned to them by

the Treasurer, by the President or by the Board of Directors.

ARTICLE VI.

CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1.

Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

Section 2.

Loans. No loans shall be contracted on behalf of the corporation and no evidence of indebtedness shall be issued in its name unless authorized by the Board of Directors. Such authority may be general or confined to specific instances.

Section 3.

Checks and Drafts. All checks, drafts or other orders for the payment of money, issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by the Board of Directors.

Section 4.

Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such depositories as may be selected by or under the authority of the Board of Directors.

ARTICLE VII.

SHARES AND THEIR TRANSFER

Section 1.

Certificates for Shares. Certificates representing shares of the corporation shall be in such form as shall be determined by the Board of Directors. The corporation shall issue and deliver to each shareholder certificates representing all fully paid shares owned by him. Certificates shall be signed by the President or a Vice President and by the Secretary or Treasurer or an Assistant Secretary or Assistant Treasurer. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number and class of shares and the date of issue, shall be entered on the stock transfer books of the corporation.

Section 2.

Transfer of Shares. Transfer of shares of the corporation shall be made only on the stock transfer books of the corporation by the holder of record thereof or by his legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary, and on surrender for cancellation of the certificate for such shares.

Section 3.

Lost Certificate. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the corporation claimed to have been lost or destroyed, upon receipt of an affidavit of such fact from the person claiming the certificate to have been lost or destroyed. When authorizing such issue of a new certificate, the Board of Directors shall require that the owner of such lost or destroyed certificate, or his legal representative, give the corporation a bond in such sum and with such surety or other security as the Board may direct as indemnity against any claim that may be made against the corporation with respect to the certificate claimed to have been lost or destroyed, except where the Board of Directors by resolution finds that in the judgment of the directors the circumstances justify omission of a bond.

Section 4.

Fixing Record Date. The Board of Directors may fix a past or future date as the record date for one or more voting groups in order to determine the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, to demand a special meeting or to take any other action. Such record date may not be more than seventy days before the meeting or action requiring a determination of shareholders. A determination of shareholders entitled to notice of or to vote at a shareholders' meeting is effective for any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting, which it must do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

If no record date is fixed by the Board of Directors for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, the close of business on the day before the first notice of the meeting is delivered to shareholders shall be the record date for such determination of shareholders.

The Board of Directors may fix a date as the record date for determining shareholders entitled to a distribution or share dividend. If no record date is fixed by the Board of Directors for such determination, it is the date the Board of Directors authorizes the distribution or share dividend.

Section 5.

Holder of Record. Except as otherwise required by law, the corporation may treat

the person in whose name the shares stand of record on its books as the absolute owner of the shares and the person exclusively entitled to receive notification and distributions, to vote and to otherwise exercise the rights, powers and privileges of ownership of such shares.

Section 6.

Shares Held by Nominees. The corporation shall recognize the beneficial owner of shares registered in the name of a nominee as the owner and shareholder of such shares for certain purposes if the nominee in whose name such shares are registered files with the Secretary a written certificate in a form prescribed by the corporation, signed by the nominee, indicating the following: (i) the name, address and taxpayer identification number of the nominee, (ii) the name, address and taxpayer identification number of the beneficial owner, (iii) the number and class or series of shares registered in the name of the nominee as to which the beneficial owner shall be recognized as the shareholder and (iv) the purposes for which the beneficial owner shall be recognized as the shareholder.

The purposes for which the corporation shall recognize the beneficial owner as the shareholder may include the following: (i) receiving notice of, voting at and otherwise participating in shareholders' meetings; (ii) executing consents with respect to the shares; (iii) exercising dissenters' rights under Article-13 of the Business Corporation Act; (iv) receiving distributions and share dividends with respect to the shares, (v) exercising inspection rights; (vi) receiving reports, financial statements, proxy statements and other communications from the corporation; (vii) making any demand upon the corporation required or permitted by law; and (viii) exercising any other rights or receiving any other benefits of a shareholder with respect to the shares.

The certificate shall be effective ten (10) business days after its receipt by the corporation and until it is changed by the nominee, unless the certificate specifies a later effective time or an earlier termination date.

If the certificate affects less than all of the shares registered in the name of the nominee, the corporation may require the shares affected by the certificate to be registered separately on the books of the corporation and be represented by a share certificate that bears a conspicuous legend stating that there is a nominee certificate in effect with respect to the shares represented by that share certificate.

ARTICLE VIII.

INDEMNIFICATION OF DIRECTORS

Section 1.

Indemnification of Directors. The corporation shall indemnify and hold harmless any person who at any time serves or has served as a director of the corporation to the fullest extent from time to time permitted by law in the event such person is made, or threatened to be made, a party to any pending, threatened or completed civil, criminal, administrative, investigative or arbitrative action, suit or proceeding, and any appeal therein (and any inquiry or investigation that could lead to such action, suit or proceeding), whether or not brought by or on behalf of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation or serves or served any other enterprise (including service as trustee or administrator under any employee benefit plan of the corporation or of any wholly owned subsidiary of the corporation) as a director, officer, employee or agent at the request of the corporation. The rights of any director or former director hereunder shall, to the fullest extent from time to time permitted by law, cover all liability and expense, including without limitation all attorneys' fees and expenses, judgments, fines, excise taxes and, subject to Section 3 of this Article VIII, amounts paid in settlement, and all expenses incurred by such director or former director in enforcing his or her rights hereunder.

Section 2.

Advancement of Expenses. To the fullest extent from time to time permitted by law, the corporation shall pay the expenses of any person who at any time serves or has served as a director of the corporation or of any wholly owned subsidiary of the corporation, including attorneys' fees and expenses, incurred in defending any action, suit or proceeding described in Section 1 of this Article VIII in advance of the final disposition of such action, suit or proceeding.

Section 3.

Settlements. The corporation shall not be liable to indemnify any such director or former director for any amounts paid in settlement of any proceeding effected without the corporation's written consent. The corporation will not unreasonably withhold its consent in any proposed settlement.

Section 4.

Benefit of Provisions. The rights set forth in this Article VIII shall inure to the benefit of any such director or former director, whether or not he is an officer, director, employee or agent at the time such liabilities or expenses are imposed or incurred, and whether or not the claim asserted against him is based upon matters that antedate the date of adoption of this Article VIII, and in the event of his death shall extend to his legal representative. The rights of directors and former directors under this Article VIII shall be in addition to and not exclusive of any other rights to which they may be entitled under any statute, agreement, insurance policy or otherwise. Any person who at any time after the adoption of this Article VIII serves or has served in any of the capacities described herein for or on behalf of the corporation shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the rights of indemnification provided herein.

Section 5.

Authorization. The Board of Directors of the corporation shall take all such action as may be necessary and appropriate to authorize the corporation to pay the indemnification required by this Article VIII, including without limitation, to the extent needed, making a determination that indemnification is permissible in the circumstances and making a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him. The Board of Directors may appoint a committee or special counsel to make such determination and evaluation. To the extent needed, the Board of Directors shall give notice to, and obtain approval by, the shareholders of the corporation for any decision to indemnify.

ARTICLE IX.

GENERAL PROVISIONS

Section 1.

Distributions. The Board of Directors may from time to time authorize, and the corporation may grant, distributions and share dividends to its shareholders pursuant to law and subject to the provisions of its articles of incorporation.

Section 2.

Seal. The corporate seal of the corporation shall consist of two concentric circles between which is the name of the corporation and in the center of which is inscribed SEAL; and such seal, as impressed on the margin hereof, is hereby adopted as the corporate seal of the corporation.

Section 3.

Fiscal Year. The fiscal year of the corporation shall be fixed by the Board of Directors.

Section 4.

Amendments. Except as otherwise provided herein, in the articles of incorporation or by law, these bylaws may be amended or repealed and new bylaws may be adopted by the affirmative vote of a majority of the directors then holding office at any regular or special meeting of the Board of Directors.

The Board of Directors shall have no power to adopt a bylaw: (1) requiring more than a majority of the voting shares for a quorum at a meeting of shareholders or more than a majority of the votes cast to constitute action by the shareholders, except where higher percentages are required by law; (2) providing for the management of the corporation otherwise than by the Board of Directors or its committees; (3) increasing or decreasing the number of directors; (4) classifying and staggering the election of directors.

No bylaw adopted, amended or repealed by the shareholders shall be readopted, amended or repealed by the Board of Directors, unless the articles of incorporation or a bylaw adopted by the shareholders authorizes the Board of Directors to adopt, amend or repeal that particular bylaw or the bylaws generally.

Section 5.

Definitions. Unless the context otherwise requires, terms used in these bylaws shall have the meanings assigned to them in the North Carolina Business Corporation Act to the extent defined therein.

SIXTH AMENDMENT TO CREDIT AGREEMENT
(With SunTrust Secured Tranche)

THIS SIXTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is dated as of March 28, 2001 among CULP, INC. (the "Borrower"), WACHOVIA BANK, N.A. (successor by merger to Wachovia Bank of Georgia, N.A.), as Agent (the "Agent"), FIRST UNION NATIONAL BANK (successor by merger to First Union National Bank of North Carolina), as Documentation Agent (the "Documentation Agent"), and WACHOVIA BANK, N.A., FIRST UNION NATIONAL BANK and SUNTRUST BANK (formerly known as SunTrust Bank, Atlanta)(collectively, the "Banks");

W I T N E S S E T H :

WHEREAS, the Borrower, the Agent, the Documentation Agent and the Banks executed and delivered that certain Credit Agreement, dated as of April 23, 1997, as amended by First Amendment to Credit Agreement dated as of July 22, 1998, Second Amendment to Credit Agreement dated as of October 26, 1998, Third Amendment to Credit Agreement dated as of April 28, 2000, Fourth Amendment to Credit Agreement dated as of July 30, 2000, and Fifth Amendment (the "Fifth Amendment") to Credit Agreement dated as of January 26, 2001 (as so amended, the "Credit Agreement"); and

WHEREAS, the Borrower has requested, and the Agent, the Documentation Agent and the Banks have agreed to certain amendments to the Credit Agreement, subject to the terms and conditions hereof;

NOW, THEREFORE, for and in consideration of the above premises and other good and valuable consideration, the receipt and sufficiency of which hereby is acknowledged by the parties hereto, the Borrower, the Agent, the Documentation Agent and the Banks hereby covenant and agree as follows:

1. Definitions. Unless otherwise specifically defined herein, each term used herein which is defined in the Credit Agreement shall have the meaning assigned to such term in the Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Credit Agreement shall from and after the date hereof refer to the Credit Agreement as amended hereby.

2. Reductions in Commitment Amounts. (a) The Borrower hereby ratifies its election to reduce the Commitments under the conditions to the Fifth Amendment. Effective as of the date of this Amendment, the signature pages of the Credit Agreement hereby are amended to provide that the each of the Banks' Commitments have been reduced to an amount equal to the following amounts for such Bank effective as of the date of the Fifth Amendment:

COMMITMENTS	BANK
-----	----
\$9,545,454.54	WACHOVIA BANK, N.A.
\$8,636,363.64	FIRST UNION NATIONAL BANK
\$6,818,181.82	SUNTRUST BANK
TOTAL COMMITMENTS: \$25,000,000	

(b) Effective as of January 31, 2002, the signature pages of the Credit Agreement hereby are amended to provide that the each of the Banks' Commitments have been reduced to an amount equal to the following amounts for such Bank.

COMMITMENTS	BANK
-----	----
\$7,636,363.64	WACHOVIA BANK, N.A.
\$6,909,090.91	FIRST UNION NATIONAL BANK
\$5,454,545.45	SUNTRUST BANK
TOTAL COMMITMENTS: \$20,000,000	

3. Amendments to Credit Agreement (a) The following new definitions are hereby added to Section 1.01 of the Credit Agreement in alphabetical order:

"Standalone Loan" has the meaning set forth in Section 2.14.

"Standalone Note" has the meaning set forth in Section 2.14.

(b) The following definitions contained in Section 1.01 of the Credit Agreement are amended and restated in their entirety as set forth below:

"Commitment" means, with respect to each Bank, (i) the amount set forth opposite the name of such Bank on the signature pages hereof, and (ii) as to any Bank which enters into any Assignment and Acceptance (whether as transferor Bank or as Assignee thereunder), the amount of such Bank's Commitment after giving effect to such Assignment and Acceptance, in each case as such amount may be reduced from time to time pursuant to Sections 2.08 and 2.09; provided, however, solely with respect to SunTrust Bank, under its Commitment, SunTrust Bank will not be obligated to fund its pro rata share of Syndicated Loans until SunTrust Bank's pro rata share of all the outstanding Syndicated Loans, after giving effect to any requested Syndicated Loan, and including the Standalone Loan, is greater than \$998,634.00.

"Loan" means a Base Rate Loan, Euro-Dollar Loan, Money Market Loan, Syndicated Dollar Loan, Foreign Currency Loan, Syndicated Loan, or the Standalone Loan, and "Loans" means Base Rate Loans, Euro-Dollar Loans, Money Market Loans, Syndicated Dollar Loans, Foreign Currency Loans, Syndicated Loans, the Standalone Loan or any or all of them, as the context shall require.

"Notes" means the Syndicated Dollar Loan Notes, the Money Market Loan Notes, the Foreign Currency Loan Notes, the Standalone Note, or any or all of

them, as the context shall require.

(c) A new Section 2.14 is hereby added to the Credit Agreement as follows:

Section 2.14 Standalone Loan. Effective as of March 28, 2001, the Borrower, the Agent and the Banks agree that a portion of the outstanding Syndicated Loans held by SunTrust Bank in an amount equal to \$998,634.00 shall no longer be available to the Borrower on a revolving basis and shall be converted to a term loan (the "Standalone Loan"). The Standalone Loan shall be evidenced by a promissory note issued by the Borrower payable to the order of SunTrust Bank substantially in the form attached hereto as Exhibit A-4 (the "Standalone Note") and the Borrower shall execute and deliver to SunTrust Bank a new Syndicated Dollar Loan Note reflecting such converted portion of the principal sum of the Syndicated Loans. The Standalone Loan shall mature and be due and payable on the Termination Date and shall otherwise be governed by all terms and conditions set forth in this Agreement that govern Syndicated Loans, including, without limitation, the payment of interest thereon; provided, however, (i) notwithstanding the fact that the Standalone Loan may be refunded in whole from time to time as a Base Rate Loan or a Euro-Dollar Loan, the Standalone Loan shall not amortize and may not be prepaid until all Commitments are terminated and all other Loans have been paid in full, and (ii) the Standalone Loan and Standalone Note may not be assigned by SunTrust Bank except as a part of its assignment of its total Commitment and all of its Loans hereunder.

(d) Section 5.24 of the Credit Agreement is amended and restated in its entirety as set forth below:

SECTION 5.24. Capital Expenditures. Capital Expenditures will not exceed (i) for the period during the fourth Fiscal Quarter of Fiscal Year 2001, \$1,500,000; (ii) for the period after the fourth Fiscal Quarter of Fiscal Year 2001 through and including the fourth Fiscal Quarter of Fiscal Year 2002, \$4,000,000; and (iii) for each Fiscal Year thereafter, an amount not exceeding 50% of the Borrower's depreciation for such period determined in accordance with GAAP.

(e) A new Exhibit A-4 is hereby attached to the Credit Agreement and made a part thereof in the form of Exhibit A-4 attached to this Amendment.

4. Restatement of Representations and Warranties. The Borrower hereby restates and renews each and every representation and warranty heretofore made by it in the Credit Agreement and the other Loan Documents as fully as if made on the date hereof, except to the extent that any representation or warranty related to an earlier specified date, and with specific reference to this Amendment and all other loan documents executed and/or delivered in connection herewith.

5. Effect of Amendment. Except as set forth expressly hereinabove, all terms of the Credit Agreement and the other Loan Documents shall be and remain in full force and effect, and shall constitute the legal, valid, binding and enforceable obligations of the Borrower. The amendments contained herein shall be deemed to have prospective application only, unless otherwise specifically stated herein.

6. Ratification. The Borrower hereby restates, ratifies and reaffirms each and every term, covenant and condition set forth in the Credit Agreement and the other Loan Documents effective as of the date hereof.

7. Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same instrument.

8. Section References. Section titles and references used in this Amendment shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreements among the parties hereto evidenced hereby.

9. No Default. To induce the Agent, the Documentation Agent and the Banks to enter into this Amendment and to continue to make advances pursuant to the Credit Agreement, the Borrower hereby acknowledges and agrees that, as of the date hereof, and after giving effect to the terms hereof, there exists (i) no Default or Event of Default and (ii) no right of offset, defense, counterclaim, claim or objection in favor of the Borrower arising out of or with respect to any of the Loans or other obligations of the Borrower owed to the Banks under the Credit Agreement.

10. Further Assurances. The Borrower agrees to take such further actions as the Agent shall reasonably request in connection herewith to evidence the amendments herein contained.

11. Governing Law. This Amendment shall be governed by and construed and interpreted in accordance with, the laws of the State of Georgia.

12. Conditions Precedent. This Amendment shall become effective only upon the execution and delivery of (i) this Amendment by each of the parties hereto, (ii) that certain Security Agreement by the Borrower in favor of the Agent as required by paragraph 19 of the Fifth Amendment, (iii) the execution and delivery by the Borrower in favor of SunTrust Bank of the Standalone Note and a new Syndicated Dollar Loan Note as set forth in paragraph 3 of this Amendment, and (iv) all other items required by paragraph 19 of the Fifth Amendment. A default by the Borrower under this Amendment shall be an Event of Default under the Credit Agreement.

IN WITNESS WHEREOF, the Borrower, the Agent, the Documentation Agent and each of the Banks has caused this Amendment to be duly executed, under seal, by its duly authorized officer as of the day and year first above written.

as Borrower

By: _____
Title:

WACHOVIA BANK, N.A.,
as Agent and as a Bank (SEAL)

By: _____
Title:

FIRST UNION NATIONAL BANK,
as Documentation Agent and as a Bank (SEAL)

By: _____
Title:

SUNTRUST BANK,
as a Bank (SEAL)

By: _____
Title:

EXHIBIT A-4

FORM OF STANDALONE NOTE

Atlanta, Georgia

March 28, 2001

For value received, CULP, INC., a North Carolina corporation (the "Borrower"), promises to pay to the order of SUNTRUST BANK (the "Bank"), for the account of its Lending Office, the principal sum of NINE HUNDRED THOUSAND NINETY-EIGHT SIX HUNDRED THIRTY-FOUR AND NO/100 DOLLARS (\$998,634.00), or such lesser amount as shall equal the unpaid principal amount of the Standalone Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below, on the dates and in the amounts provided in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of this Standalone Note on the dates and at the rate or rates provided for the Standalone Loan in the Credit Agreement. Interest on any overdue principal of and, to the extent permitted by law, overdue interest on the principal amount hereof shall bear interest at the Default Rate, as provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of Wachovia Bank, N.A., 191 Peachtree Street, N.E., Atlanta, Georgia 30303-1757, or such other address as may be specified from time to time pursuant to the Credit Agreement.

This Standalone Note is the "Standalone Note" referred to in the Credit Agreement dated as of April 23, 1997 among the Borrower, the Banks listed on the signature pages thereof, Wachovia Bank, N.A., as Agent and First Union National Bank, as Documentation Agent (as the same may be amended and modified from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the optional and mandatory prepayment and the repayment hereof and the acceleration of the maturity hereof, as well as the obligation of the Borrower to pay all costs of collection, including reasonable attorneys fees, in the event this Standalone Note is collected by law or through an attorney at law.

The Borrower hereby waives presentment, demand, protest, notice of demand, protest and nonpayment and any other notice required by law relative hereto, except to the extent as otherwise may be expressly provided for in the Credit Agreement.

IN WITNESS WHEREOF, the Borrower has caused this Standalone Note to be duly executed, under seal, by its duly authorized officer as of the day and year first above written.

CULP, INC. (SEAL)

By: _____
Title: _____

THIS SEVENTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is dated as of August 29, 2001 among CULP, INC. (the "Borrower"), WACHOVIA BANK, N.A. (successor by merger to Wachovia Bank of Georgia, N.A.), as Agent (the "Agent"), FIRST UNION NATIONAL BANK (successor by merger to First Union National Bank of North Carolina), as Documentation Agent (the "Documentation Agent"), and WACHOVIA BANK, N.A., FIRST UNION NATIONAL BANK and SUNTRUST BANK (formerly known as SunTrust Bank, Atlanta)(collectively, the "Banks");

W I T N E S S E T H :

WHEREAS, the Borrower, the Agent, the Documentation Agent and the Banks executed and delivered that certain Credit Agreement, dated as of April 23, 1997, as amended by First Amendment to Credit Agreement dated as of July 22, 1998, Second Amendment to Credit Agreement dated as of October 26, 1998, Third Amendment to Credit Agreement dated as of April 28, 2000, and Fourth Amendment to Credit Agreement dated as of July 30, 2000, and Fifth Amendment to Credit Agreement dated as of January 26, 2001, and Sixth Amendment (the "Sixth Amendment") to Credit Agreement dated as of March 28, 2001 (as so amended, the "Credit Agreement"); and

WHEREAS, the Borrower has requested, and the Agent, the Documentation Agent and the Banks have agreed to certain amendments to the Credit Agreement, subject to the terms and conditions hereof;

NOW, THEREFORE, for and in consideration of the above premises and other good and valuable consideration, the receipt and sufficiency of which hereby is acknowledged by the parties hereto, the Borrower, the Agent, the Documentation Agent and the Banks hereby covenant and agree as follows:

1. Definitions. Unless otherwise specifically defined herein, each term used herein which is defined in the Credit Agreement shall have the meaning assigned to such term in the Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Credit Agreement shall from and after the date hereof refer to the Credit Agreement as amended hereby.

2. Amendments to Section 1.01. The definition of "EBITDA" contained in Section 1.01 of the Credit Agreement is amended by deleting it in its entirety and substituting the following therefor:

"EBITDA" means at any time the sum of the following, determined on a consolidated basis for the Borrower and its Consolidated Subsidiaries, at the end of each Fiscal Quarter, for the Fiscal Quarter just ended and the 3 immediately preceding Fiscal Quarters (and with respect to any Acquisition which is made during such 4 Fiscal Quarter period, the Consolidated Subsidiary acquired in such Acquisition shall be included as if it had been a Consolidated Subsidiary prior to the commencement of such 3 Fiscal Quarter period): (i) Consolidated Net Income; plus (ii) Consolidated Net Interest Expense; plus (iii) taxes on income; plus (iv) depreciation; plus (v) amortization; plus (vi) cash charges described on Schedule 1.01(E) attached hereto and made a part hereof not exceeding \$5,100,000 in the aggregate through the fourth Fiscal Quarter of Fiscal Year 2002, and other non-cash charges.

3. Amendments to Schedule 1.01(E). Schedule 1.01(E) described in the foregoing amended definition of "EBITDA" is amended and restated and attached to the Credit Agreement in the form of Schedule 1.01(E) attached to this Amendment and made a part hereof.

4. Restatement of Representations and Warranties. The Borrower hereby restates and renews each and every representation and warranty heretofore made by it in the Credit Agreement and the other Loan Documents as fully as if made on the date hereof, except to the extent that any representation or warranty related to an earlier specified date, and with specific reference to this Amendment and all other loan documents executed and/or delivered in connection herewith.

5. Effect of Amendment. Except as set forth expressly hereinabove, all terms of the Credit Agreement and the other Loan Documents shall be and remain in full force and effect, and shall constitute the legal, valid, binding and enforceable obligations of the Borrower. The amendments contained herein shall be deemed to have prospective application only, unless otherwise specifically stated herein.

6. Ratification. The Borrower hereby restates, ratifies and reaffirms each and every term, covenant and condition set forth in the Credit Agreement and the other Loan Documents effective as of the date hereof.

7. Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same instrument.

8. Section References. Section titles and references used in this Amendment shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreements among the parties hereto evidenced hereby.

9. No Default. To induce the Agent, the Documentation Agent and the Banks to enter into this Amendment and to continue to make advances pursuant to the Credit Agreement, the Borrower hereby acknowledges and agrees that, as of the date hereof, and after giving effect to the terms hereof, there exists (i) no Default or Event of Default and (ii) no right of offset, defense, counterclaim, claim or objection in favor of the Borrower arising out of or with respect to any of the Loans or other obligations of the Borrower owed to the Banks under the Credit Agreement.

10. Further Assurances. The Borrower agrees to take such further actions as the Agent shall reasonably request in connection herewith to evidence the amendments herein contained to the Borrower.

11. Governing Law. This Amendment shall be governed by and construed and interpreted in accordance with, the laws of the State of Georgia.

12. Conditions Precedent. This Amendment shall become effective only upon (i) execution and delivery of this Amendment by each of the parties hereto, and (ii) payment of a non-refundable, fully-earned fee equal to \$25,000 by the Borrower to the Agent payable pro-rata to the Banks that execute the Amendment based on their commitment amount. A default by the Borrower under this Amendment shall be an Event of Default under the Credit Agreement.

IN WITNESS WHEREOF, the Borrower, the Agent, the Documentation Agent and each of the Banks has caused this Amendment to be duly executed, under seal, by its duly authorized officer as of the day and year first above written.

CULP, INC., (SEAL)
as Borrower

By: _____
Title:

WACHOVIA BANK, N.A., (SEAL)
as Agent and as a Bank

By: _____
Title:

FIRST UNION NATIONAL BANK,
as Documentation Agent and as a Bank (SEAL)

By: _____
Title:

SUNTRUST BANK, as a Bank (SEAL)

By: _____
Title:

SCHEDULE 1.01(E)

Culp, Inc.
Analysis of Cash Charges

Estimated total cash charges	\$ 6,282,610
Above limitation	(1,182,610)
Cash charges allowed	----- \$ 5,100,000 =====